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No. 95-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

CHASE PACKAGING CORPORATION,

Petitioner,

v.

SUPER SACK MANUFACTURING CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a plaintiff-patentee can voluntarily withdraw its complaint for patent infringement under Rule 12(b)(1) of the Federal Rules of Civil Procedure after an answer and counterclaim for patent invalidity have been filed, without following the voluntary dismissal requirements provided in Rule 41 of the Federal Rules of Civil Procedure, and whether a counterclaim for invalidity may then be dismissed on the jurisdictional basis that no "case or controversy" exists.

LIST OF PARTIES TO PROCEEDING PURSUANT TO RULES 14.1(B) AND 29.1

Pursuant to Supreme Court Rule 14.1(b), Petitioner Chase Packaging Corporation certifies that the names of all parties to this proceeding appear in the caption of this Petition for Writ of Certiorari.

Pursuant to Supreme Court Rule 29.1, Petitioner Chase Packaging Corporation certifies that Union Camp Corporation, a public company, was the parent company of Petitioner during the relevant period. There are no subsidiaries or other affiliates of Petitioner that have issued shares to the public.

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PETITION FOR WRIT OF CERTIORARI

Petitioner prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit Court entered in this cause on June 15, 1995.

OPINION BELOW

The opinion of the Court of Appeals for the Federal Circuit is reported at 57 F.3d 1054 and is reproduced at 1a-13a. The order dismissing this case issued by the United States District Court for the Northern District of Texas is not reported. It is reproduced in the Appendix at pp. 14a-17a.

JURISDICTION

The Court of Appeals for the Federal Circuit ("Federal Circuit") rendered its opinion on June 15, 1995. A timely petition for rehearing with suggestion for rehearing *in banc* was filed. The Federal Circuit denied the petition for rehearing and

the suggestion for rehearing *in banc* on August 23, 1995. 18a. This Court has jurisdiction to review the judgment by writ of certiorari under 28 U.S.C. Sec. 1254(1).

FEDERAL RULES OF CIVIL PROCEDURE INVOLVED

Rule 12(b)(1) of the Federal Rules of Civil Procedure

" **(b) How Presented**. Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: (1) lack of jurisdiction over the subject matter..."

Rule 41 of the Federal Rules of Civil Procedure

"(a) Voluntary Dismissal: Effect Thereof.

(1) By Plaintiff; by Stipulation. Subject to the provisions of Rule 23(e), of Rule 66, and of any statute of the United States, an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for summary judgment, whichever first occurs, or (ii) by filing a stipulation of dismissal signed by all parties who have appeared in the action. Unless otherwise stated in the notice of dismissal or stipulation, the dismissal is without prejudice, except that a notice of dismissal operates as an adjudication upon the merits when filed by a plaintiff who has once dismissed in any court of the United States or of any state an action based on or including the same claim."

"**(2) By Order of Court**. Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon

order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice."

STATEMENT OF THE CASE

The Respondent, Super Sack Manufacturing Corporation ("Super Sack"), filed the present suit against Petitioner, Chase Packaging Corporation ("Chase"), in August, 1988 in the United States District Court for the Northern District of Texas alleging infringement of only claim 8 of Patent No. 4,143,796 ("796 Patent") and only claim 20 of Patent No. 4,194,652 ("652 Patent"). Chase denied infringement and counterclaimed for invalidity of all claims in both patents,[1] non-infringement, and attorneys fees. Jurisdiction of Chase's counterclaim was based on 28 U.S.C. 1338 and 2201.

After six years of extensive and vigorous litigation (including the setting and cancellation of five separate trial dates, filing of two pretrial orders, filing by Chase of two motions for summary judgment, the handling of the case by three different judges, and many other motions)[2] and upon the eve of trial, Super Sack voluntarily withdrew its complaint for

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[1] The '796 Patent contained nineteen claims and the '652 Patent contained thirty-one claims.

[2] The docket entries contain more than 115 entries.

infringement against Chase. Super Sack then asserted that under Federal Rules of Civil Procedure Rule 12(b)(1)[3] there was no "case or controversy," and that Chase's counterclaim for invalidity should be dismissed.

Super Sack also asserted the '796 and '652 Patents against 18 other defendants in various district courts around the country. In addition, Super Sack filed a case against four respondents before the U.S. International Trade Commission on these patent claims.

In 1992, trial was had on the case that Super Sack filed against Augusta Bag Company[4] in the Southern District of Georgia. The *Augusta Bag* case was tried to the bench in July 1992, and in October 1992, the trial court found the patents-in-suit not infringed and not invalid. The Federal Circuit Court summarily affirmed the trial court's decision in a per curiam order in September 1993. 6 F.3d 786 (Fed.Cir. 1993).

In February 1993, Chase, for the second time, moved for summary judgment for invalidity,[5] non-infringement and unenforceability,[6] of the patents in suit. Chase's motion for

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[3] Hereafter all Federal Rules of Civil Procedure will be designated "Rule ____".

[4] This suit involved the same patents and the same claims here in suit and was filed subsequent to the instant case.

[5] Chase's claim of invalidity includes, among other allegations, that the patents were invalid because of Super Sack's own non-disclosed material prior art.

[6] Chase's claim of unenforceability includes, among other allegations, a) that Super Sack's invention was really the invention of a Japanese company from which they bought product, b) that Super Sack failed to

summary judgment was based for the most part on the rulings in the *Augusta Bag* case, because accused products made by *Chase* and by *Augusta Bag* were virtually identical. The Texas trial court never ruled on said motion for summary judgment.

Because Chase's motion for summary judgment went unruled upon for 17 months and because the ruling of the trial court in the *Augusta Bag* case which was adverse to Super Sack was affirmed on appeal, Chase, on July 1, 1994, filed a motion styled a "Motion Requesting this Court to Order Super Sack to Show Cause as to Why Chase's Motion for Summary Judgment on the Issue of Non-Infringement Should Not Be Granted." ("Show Cause motion") It was a virtual certainty that Chase would be successful on its motion for summary judgment because the rulings in the *Augusta Bag* Federal Circuit ruling made it impossible for Super Sack to make a showing that Chase infringed the patents in suit.[7]

One week after Chase filed its "Show Cause" motion, Super Sack filed a motion withdrawing its complaint for infringement, promising not to sue Chase only for its past and current production products, and then claiming that Chase's counterclaim for invalidity, non-infringement and attorneys fees should be dismissed because there was "no case or

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disclose material prior art including their own prior use of art that was material, and c) that Super Sack gave false discovery answers to Chase.

[7] Chase's motion for summary judgment should have been timely granted. Chase's products were virtually identical to the products found not to infringe in the *Super Sack v. Augusta Bag* case because both Chase and Augusta Bag were licensees under another patent. Super Sack could not have marshalled any contrary evidence and was barred by the doctrine of issue preclusion from arguing otherwise.

controversy." Super Sack based its "case or controversy" argument on Rule 12(b)(1).[8]

Super Sack withdrew its complaint for infringement asserting it no longer desired to pursue its complaint because of economic realities. However, Super Sack in its moving papers did not concede its complaint for infringement against Chase. Further, Super Sack's withdrawal of its claim of infringement against Chase applied only to products (bulk bags) previously or currently manufactured or sold by Chase, not to any product manufactured in the future which were still subject to a future suit. Super Sack also made no promise not to sue Chase's customers. Furthermore, Super Sack never filed a covenant not to sue or an affidavit not to sue or similar document indicating a firm commitment that it would not again sue Chase. Super Sack argued that the District Court was obligated to dismiss the complaint and counterclaim based on lack of subject matter jurisdiction after Super Sack withdrew its complaint for infringement.

Chase objected to Super Sack's motion and argued that Rule 12(b)(1) cannot be used to voluntarily dismiss a complaint or counterclaim. Chase also argued that under Rule 41(a)(2), its counterclaim for invalidity could not be dismissed, and that Chase was entitled to the assessment of "terms and conditions" under Rule 41(a)(2). Chase also objected to the dismissal under Rule 12(b)(1) on the basis that a case or controversy as to validity still existed because the counterclaim for patent invalidity was independent from the claim of infringement.

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[8] Although Super Sack's motion to dismiss was framed in the alternative under Rule 12(b)(1) or Rule 41(a)(2), Super Sack only argued the dismissal under Rule 12(b)(1).

The trial court rejected Chase's arguments and on September 1, 1994, the trial court granted Super Sack's motion and dismissed Chase's counterclaim, with prejudice, as well as the complaint. The trial court's order listed some eighteen separate papers filed on motions then pending, but the court only decided the motion to dismiss and the motion to amend.[9] The trial court entered the following order that provided in pertinent part (Appendix pp. 16a-17a):

> "Plaintiff moves for dismissal of this action for lack of subject matter jurisdiction as Plaintiff no longer desires to pursue its claims for infringement with respect to any bulk bags previously or currently manufactured or sold by Defendant. Further, Plaintiff reports that it has unconditionally promised not to sue Defendant in the future on the patents-in-suit. Therefore, the Court finds that Plaintiff's Rule 12(b)(1) and Rule 41(a)(2) Motion to Dismiss to be [sic, is] proper and should be granted. In the opinion of this Court, Defendant's Motion to Amend its Pleadings in order to amend its pleadings to include the defense of inequitable conduct/unenforceability of Patent No. 4,143,796 and Patent No. 4,194,652 fails to present sufficient evidence that a continuing case or controversy is present necessitating the continuance of this litigation. In the interest of judicial economy, the Court believes that Defendant's motion should be denied."
>
> "In conclusion, the Court ORDERS that:
>
> (1) Defendant's Motion to Amend is [sic] Pleadings be DENIED;
>
> (2) Plaintiff's Motion to dismiss for Lack of Jurisdiction

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[9] Chase had previously filed a motion to amend its counterclaim to add the issue of unenforceability.

or, In The Alternative, Plaintiff's Motion to Dismiss by Order of This Court be GRANTED; and

(3) this case be DISMISSED with prejudice."

Chase appealed from the trial court's Order on September 30, 1994. The appeal was fully briefed and orally argued on May 8, 1995. The Federal Court affirmed the lower court's order and rendered its opinion on June 15, 1995. 1a-13a.

The Federal Circuit in its opinion also rejected Chase's argument that Rule 41 was controlling in the case[10] and that Chase's counterclaim for invalidity was a claim independent[11] of Super Sack's claim of infringement. Chase filed a Petition for Rehearing and Suggestion for Rehearing In Banc on July 11, 1995. The Petition for Rehearing and for Suggestion for Rehearing In Banc were denied by an Order of the Federal Circuit on August 23, 1995.

At this stage, the two patents of Super Sack have been neither invalidated nor found unenforceable and they may still be used to harass others. The complaint has been withdrawn and Super Sack has been allowed to dismiss its complaint without the assessment of "terms and conditions", provided for in Rule 41. Chase's counterclaim for invalidity has been dismissed with prejudice. Chase asserts that this result goes against the Federal Rules, both in letter and spirit, against Supreme Court and Federal Circuit precedent, and against public policy.

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[10] Footnote 2, 6a.

[11] 12a-13a.

REASONS FOR GRANTING THIS PETITION

The Federal Circuit held in this case that a plaintiff-patentee can voluntarily withdraw its complaint for patent infringement after which the plaintiff-patentee need only assert that there is no "case or controversy" and, then, pursuant to Rule 12(b)(1), assert the court's obligation to dismiss the defendant's declaratory judgment counterclaim for invalidity.

Chase argued that Rule 41 is the sole Rule dealing with voluntary dismissals and, that under Rule 41, Chase's counterclaim for invalidity cannot be dismissed. The Federal Circuit ignored Chase's argument that only Rule 41(a)(2) was applicable and so held in *Super Sack Mfg., Corp. v. Chase Packaging, Corp.*, 6a, footnote 2.

The Federal Circuit found the controlling inquiry to be whether a "case or controversy" existed as to Chase's counterclaim for a declaratory judgment of invalidity. In making the inquiry, the Federal Circuit used the two-part "threat of infringement" test set forth in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975 (Fed.Cir. 1993). The Federal Circuit's opinion in this case ties the issue of validity inextricably to the issue of infringement.

This ruling is contrary to this Court's ruling in *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967 (1993). In the *Cardinal* decision, this Court stated that "A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Id.* at 1975. The Supreme Court also stated that "validity has the greater public importance." *Id.* at 1977.

The Federal Circuit ignored these statements of the Supreme Court and has interpreted the holding of the *Cardinal* case very narrowly. The Federal Circuit held that the *Cardinal* case only applied to the *Federal Circuit's practice* of vacating a judgment of validity after affirming a judgment of non-infringement. 13a.

The Federal Circuit's interpretation that the *Cardinal* holding applies only to the Federal Circuit, will allow plaintiff-patentees to file patent infringement suits and, then, unilaterally withdraw the complaint for infringement under Rule 12(b)(1) in complete avoidance of Rule 41. By such a precedent, the plaintiff-patentee will avoid any risk that a counterclaim for invalidity will ever be tried, as well as avoid any risk of assessment of "terms and conditions" as set forth in Rule 41. Such dismissals will allow counterclaims for invalidity or other counterclaims to be dismissed in a tactical circumvention of Rule 41, contrary to the very reasons for which Rule 41(a)(2) was established.

In such circumstances, unscrupulous plaintiffs can force defendants to spend large sums of money or drive them out of business or force them into bankruptcy with unfounded lawsuits and never suffer any of the downside risks of Rule 41, namely, the trial of counterclaims attacking the patent, or the assessment of "terms and conditions." Moreover, if the suit was based on questionable or invalid patents, such patents will not be invalidated, allowing such patents to be again used as "swords" to harass other defendants. Rule 41 was enacted to preclude situations that the Federal Circuit is now sanctioning.

It is of "great public importance" that the practice of using Rule 12(b)(1) to dismiss cases after issue has been joined and

after a counterclaim has been filed, a practice now sanctioned by the Federal Circuit, be rejected. If Rule 41 is circumvented and Rule 12 is used to dismiss patent cases, the legitimate rights of defendants to have their counterclaims tried and "terms and conditions" assessed, will be foreclosed. A plaintiff-patentee is not going to use Rule 41 to dismiss its case knowing a risk-free procedure under Rule 12(b)(1) is available (avoiding trial of a counterclaim and an assessment of "terms and conditions"). For public policy reasons alone, if not for reasons of fairness and logic, this Court should reject such a practice.

ARGUMENT

I. Voluntary Withdrawal of a Complaint for Infringement and Assertion That There Is No "Case or Controversy" under Rule 12(b)(1) Cannot Be Used to Dismiss a Counterclaim for Invalidity, to Thereby Circumvent the Dismissal Requirements of Rule 41

Super Sack voluntarily withdrew its complaint for infringement and then asserted that under Rule 12(b)(1) there was no "case or controversy", and further argued that Chase's counterclaim for invalidity should be dismissed. Super Sack chose to use Rule 12(b)(1) as the basis for its motion to dismiss because under Rule 12(b)(1) there is no provision for the trial of a counterclaim or the assessment of "terms and conditions" as provided in Rule 41. It is a risk-free procedure for the plaintiff-patentee to abandon a patent infringement action which cannot be proved.

Rule 12(b)(1) is inapplicable in this case; Rule 12 governs "defenses and objections" such as when the court lacks jurisdiction over the subject matter at the outset of litigation or

where the claim is no longer viable without any action on the part of the party originally asserting the claim; for example, in a patent context, the plaintiff files a patent infringement suit seeking an injunction only, and then the patent subsequently expires. In such a circumstance, the "case or controversy" becomes moot with the expiration of the patent. Voluntary dismissals are governed only by Rule 41.

Rule 41(a)(2) was enacted purposely to prevent voluntary dismissals which unfavorably affect the opposing party and to permit the imposition of curative conditions. *Alamance Indus., Inc. v. Filene's,* 291 F.2d 142, 146 (1st Cir. 1961). 9 *Wright & Miller,* "Federal Practice and Procedure," Civil Section 2364, p. 165. Rule 41(a)(2) was enacted to prevent the very procedure Super Sack is now using to get out of this litigation unscathed.

The *only* reason Super Sack can assert that there is no case or controversy is as a result of its *voluntary* withdrawal of its complaint for infringement. But for Super Sack's voluntary withdrawal of its complaint, Super Sack could not now question the trial court's jurisdiction. Super Sack's position in the trial court was that because of its voluntary withdrawal of its complaint for infringement, the trial court was divested of subject matter jurisdiction over Chase's declaratory judgment counterclaim for invalidity. Super Sack was in effect asserting unilateral control over the trial court's jurisdiction through its own voluntary withdrawal of its complaint even though issue had been joined and a counterclaim had been filed. **This procedure is not and cannot be right.**

The only way to withdraw a complaint is under Rule 41.

A party cannot dispense with the trial court's subject matter jurisdiction or with the requirements of Rule 41 by its own voluntary decision to withdraw its complaint, after an answer and counterclaim have been filed. Once issue has been joined by the filing of an answer, and in this case, also a counterclaim for invalidity, the withdrawal of the complaint is governed only by Rule 41.

Rule 41(a)(1) governs voluntary dismissals before an answer has been filed or as a result of settlement or agreement of the parties. Neither of these situations is applicable here. Rule 41(a)(2) governs voluntary dismissals of the type at issue here. Thus, Rule 12(b)(1) is inapplicable and Super Sack may only seek voluntary dismissal of its complaint under Rule 41(a)(2). *American Cyanamid Co. v. McGhee,* 317 F.2d 295, 297 (5th Cir. 1963).

Sanctioning the dismissal of cases under Rule 12(b)(1) will result in an increase in lawsuits based on invalid or questionable patents because the plaintiff will have no risk of being assessed with "terms and conditions" and can avoid trial of counterclaims, both of which are considerations under Rule 41. Thus, patentees can use their patents as "swords," but never have any worry that they will suffer any downside risk from asserting invalid or questionable patents.

This Court should not sanction a procedure whereby the plaintiff-patentee can sue for patent infringement, litigate the matter vigorously, make the defendant spend a fortune in defense and then voluntarily withdraw its infringement complaint and walk away "Scot-free." Such a procedure will be in place if the lower courts are not obligated to follow Rule 41. Rule 41 was enacted to be the only method and should be

the only method of voluntarily dismissing cases after issue has been joined.

II. Under Rule 41(a)(2) Chase's Counterclaim For Invalidity Could Not Have Been Dismissed

The second sentence of Rule 41(a)(2) makes it clear that if a counterclaim has been pleaded by a defendant prior to the service of Plaintiff's motion to dismiss, the complaint "cannot" be dismissed against the defendant's objection "unless" the counterclaims can remain pending for independent adjudication by the court. This sentence also makes it clear that if the counterclaim is not capable of independent adjudication, then the complaint cannot be dismissed.

Chase filed its counterclaim for invalidity over six years prior to the filing of Super Sack's motion to dismiss. Chase also timely objected to Super Sack's motion to dismiss. Thus, its counterclaim could not be dismissed had Rule 41(a)(2) been observed.

Moreover, unless Chase's counterclaim is capable of independent adjudication by the Court, the complaint should not be dismissed. The trial court had the power to dismiss the complaint only if Chase's counterclaims were capable of independent adjudication. *Cardinal* holds that a declaratory judgment for invalidity is an "independent claim." *Cardinal*, 113 S.Ct. at 1975. Thus, it was possible in this case for the complaint to be dismissed, ***but not the counterclaim.*** In this case, however, Chase's counterclaim for invalidity was improperly dismissed.

III. The Federal Circuit Decision Is in Direct Conflict with Supreme Court Precedents

The Federal Circuit failed to appreciate that in *Cardinal* the Supreme Court said that "a party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Cardinal,* 113 S.Ct. at 1975. Jurisdiction of Chase's counterclaim was based on 28 U.S.C. 1338 and 28 U.S.C. 2201. Clearly, under both of these statutes, Chase was raising the claim of invalidity having a basis for jurisdiction independent of the allegations of the complaint for infringement.

The Federal Circuit's disregard of the independent nature of a declaratory judgment counterclaim for invalidity is clearly contrary to the Supreme Court's decision in the *Cardinal* case. The Federal Circuit's position is not supportable for the many reasons set forth by Judge Nies in her dissent in the order declining the suggestion for rehearing *in banc* in the case of *In re Lockwood,* 50 F.3d 966, 986 (Fed.Cir.1995). Judge Nies noted in her dissent that a declaratory judgment claim for invalidity is not the "mere flip side of an infringement claim nor necessarily the same as an affirmative defense." She also correctly noted that the patent owner's claim of infringement has no relevance whatsoever to the merits of a declaratory judgment claim to invalidate a patent. She further stated that a claim for infringement is limited to the asserted claim, whereas the counterclaim may challenge the validity of all of the patent claims.[12] She also observed that "proof of validity forms no part of the plaintiff's case for infringement."

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[12] Chase challenged the validity of all the claims in the '796 and '652 Patents.

Because the nature of a declaratory judgment counterclaim of invalidity is independent of the charge of infringement, the Federal Court's analysis using the two-prong test directed to the "threat of infringement" as stated in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed.Cir. 1993) is inapplicable. The *BP Chems.* analysis should apply only to a declaratory judgment claim for non-infringement, not a declaratory judgment counterclaim for *invalidity*.

To determine whether a "case or controversy" exists with regard to a declaratory judgment counterclaim for invalidity, Super Sack should have had to show that there was no case or controversy as to the issue of "validity." Since Chase put into issue the validity of all of the claims of the two patents-in-suit, one way that Super Sack could have claimed that there is no "case or controversy" as to validity was to *agree that all of the claims of the patents-in-suit were invalid.* This Super Sack did not do. The Federal Circuit used the test of whether there was a "threat of infringement", concluded there was not a threat of infringement, and dismissed the case. The *BP Chems.* analysis used by the Federal Circuit was wrong. It is contrary to the holding of this Court in *Cardinal.*

The Federal Circuit's opinion is also contrary to this Supreme Court's opinion in the case of *Altvater v. Freeman,* 319 U.S. 359 (1943). In the *Altvater* case, the plaintiff filed suit for specific performance of a license agreement and for infringement of a reissue patent. The plaintiff also asked for a specific performance injunction and for an accounting. The defendant answered, denying generally and setting up certain defenses. The defendant also filed a counterclaim asserting that the patents involved were invalid. In reply to the counterclaim for invalidity, the plaintiff generally denied the allegations and

claimed that there was no "justiciable controversy." After a hearing, the trial court made certain rulings and dismissed the complaint and granted the counterclaim. The Court of Appeals for the Eighth Circuit affirmed the trial court. On a petition for rehearing, the Eighth Circuit ruled that where the district court found no contract of license and no infringement, the other issues became moot and there was no longer a justiciable controversy between the parties. The Supreme Court took the case on a petition for certiorari and ruled that the counterclaim for invalidity was justiciable. The Supreme Court held:

At Pages 363-364:

> ". . . But we are of the view that the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end (United States v. Alaska S. S. Co. 253 U.S. 113, 116, 64 L. Ed. 808, 809, 40 S.Ct. 448) on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit."

* * *

At Pages 365-366:

> "Our conclusion is that it was error for the Circuit Court of Appeals to have treated the issues raised by the counterclaim as moot."

Thus, under the *Cardinal* and *Altvater* cases, Chase's counterclaim for invalidity was an independent, justiciable claim that could not and should not have been dismissed under a Rule 12 analysis or any other analysis. There was a "case or controversy" as to the issue of invalidity and it was error that it was dismissed.

IV. The Holding of the Federal Circuit in this Case Is Also in Direct Conflict with Prior Precedents of the Federal Circuit

The Federal Circuit's holding in this case is also in direct conflict with the holding in the case of *Shelcore, Inc. v. Durham Industries, Inc.*, 745 F.2d 621 (Fed.Cir. 1984). In that case, *Shelcore* did what Super Sack has done here; it voluntarily dismissed with prejudice one of the patent claims in issue. The Federal Circuit held in that case that the actions of Shelcore did not remove the validity issue because a valid counterclaim for invalidity was at issue. A pertinent quote at page 624 is as follows:

> "[1] Durham asserts that *all* of the claims of the '831 utility patent are invalid under section 103. We disagree. The district court held only claims 1-12 invalid. *By voluntarily dismissing with prejudice claim 13 of the '831 utility patent, Shelcore removed the issue of infringement of claim 13 from the trial court's consideration. But Shelcore could not unilaterally remove the validity issue because Durham's counterclaim put validity of all the claims in issue.* Nevertheless, Durham's counterclaim for a declaration of invalidity as to claim 13 is not supported by the record and therefore we conclude that the trial court did not err by holding invalid only claims 1-12." (Emphasis ours).

Super Sack only asserted infringement against Chase of claim 8 of the '796 patent and claim 20 of the '652 patent. By counterclaim Chase put into issue the validity of all the claims of the patents-in-suit. Clearly, under *Shelcore,* Chase's counterclaim for invalidity should have been tried with respect to all claims. The Federal Circuit in *Shelcore* said that the plaintiff-patentee could not unilaterally remove the validity

issue by withdrawing its charge of infringement when a counterclaim for invalidity existed. That ruling should have been followed in this case, but it was not.

V. The Federal Circuit Has Not Followed the Supreme Court's Directive That the Issue of Validity Be Litigated on Public Policy Grounds

The Supreme Court has expressed on many occasions its desire that the issue of validity be litigated because of its "greater public importance." In the case of *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967, 1977, (1993) the Court said:

> ". . . In Sinclair & Carroll Co. v. Interchemical Corp., 325 U.S. 327 [65 USPQ 297] (1945), we approved of the District Court's decision to consider the question of validity even though it had found that a patent had not been infringed. Criticizing the contrary approach taken by other courts, we stated that 'of the two questions, *validity has the greater public importance,* Cover v. Schwartz, 133 F.2d 541 [54 USPQ 367] [CA2 1943], and the district Court in this case followed what will usually be the better practice by inquiring fully into the validity of this patent.' *Id.*, at 330. (Emphasis ours)
>
> "We also emphasized the importance to the public at large of resolving questions of patent validity in Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 [169 USPQ 513] (1971)." (Emphasis ours).

See also *Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation,* 402 U.S. 313, 343 (1971) and *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945).

The Supreme Court opined in *Cardinal* that it would be an abuse of discretion not to consider the issue of validity.

> "In rejecting the Federal Circuit's practice we acknowledge that factors in an unusual case might justify that Court's refusal to reach the merits of a validity determination--a determination which it might therefore be appropriate to vacate. A finding of noninfringement alone, however, does not justify such a result. Nor does anything else in the record of this case. The two patents at issue here have been the subject of three separate lawsuits, and both parties have urged the Federal Circuit to resolve their ongoing dispute over the issue of validity; *it would be an abuse of discretion not to decide that question in this case.* Accordingly, the judgment of the Court of Appeals is vacated, and the case is remanded to that Court for further proceedings consistent with this opinion." (Emphasis ours).

It is a recognized principle that wrongfully-issued patents may hinder competition in technologies which rightfully ought to be in the public domain. See, e.g., *Lear, Inc. v. Adkins,* 395 U.S. 653, (1969). Accordingly, the Supreme Court has recognized the importance of invalidating wrongfully-issued patents. See, e.g., *Sinclair & Carroll Co. v. Interchemical Corp.,* 325 U.S. 327, 330, (1945); *Pope Mfg. Co. v. Gormully,* 144 U.S. 224, 234 (1892). A policy of avoiding the trial of the issue of validity is at odds with such a policy and, accordingly, will likely hinder free competition. In this case, Super Sack tried to monopolize and hinder competition in the bulk bag industry by suing virtually every company in the United States that sold bulk bags. Super Sack's patents should be put to the test of "validity" so that, if they are invalid, their "sword" will be rendered useless.

CONCLUSION

The Federal Circuit has now sanctioned a procedure that circumvents the voluntary dismissal procedures set forth in the Federal Rules of Civil Procedure. This procedure is in direct conflict with the precedents of this Court as well as the precedents of the Federal Circuit. For the reasons set forth above, this Court should grant a writ of certiorari to the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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